

AMERICAN PREPARATORY ACADEMY OF DRAPER
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
AND
FINANCIAL STATEMENTS

June 30, 2006

HANSEN, BARNETT & MAXWELL
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN PREPARATORY ACADEMY OF DRAPER

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HANSEN, BARNETT & MAXWELL

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

5 Triad Center, Suite 750
Salt Lake City, UT 84180-1128
Phone: (801) 532-2200
Fax: (801) 532-7944
www.hbmcpas.com

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Accounting Oversight Board



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
American Preparatory Academy of Draper
Draper, Utah

We have audited the accompanying statement of financial position of American Preparatory Academy of Draper ("Academy") as of June 30, 2006 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Preparatory Academy of Draper as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006 on our consideration of American Preparatory Academy of Draper's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Academy's basic financial statements. The reconciliation of the statement of financial position – full accrual basis to the modified accrual basis on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The reconciliation of the statement of financial position – full accrual basis to the modified accrual basis has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Hansen Barnett & Maxwell".

HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
September 20, 2006

AMERICAN PREPARATORY ACADEMY OF DRAPER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

Current Assets

| | |
|-----------------------------|----------------|
| Cash | \$ 390,058 |
| Investments | 25,000 |
| Total Current Assets | <u>415,058</u> |

| | |
|---------------------------------------------------------------|--------------------------|
| Deposits | 19,983 |
| Capital assets, (net of accumulated depreciation of \$54,777) | 369,512 |
| Total Assets | <u><u>\$ 804,553</u></u> |

LIABILITIES AND NET ASSETS

Liabilities

| | |
|---------------------------------------|----------------|
| Accounts payable - trade | \$ 27,600 |
| Accrued payroll and merit pay accrual | 124,138 |
| Total Liabilities | <u>151,738</u> |

Net Assets

| | |
|-------------------------------------------------|----------------|
| Unrestricted: | |
| Capital assets, net of accumulated depreciation | 369,512 |
| Designated | 100,000 |
| Undesignated | 183,303 |
| Total Net Assets | <u>652,815</u> |

| | |
|-----------------------------------------|--------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 804,553</u></u> |
|-----------------------------------------|--------------------------|

The accompanying notes are an integral part of these financial statements.

AMERICAN PREPARATORY ACADEMY OF DRAPER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Revenue and Support

| | |
|------------------------------------------------|------------------|
| Federal | \$ 211,234 |
| State | 2,252,616 |
| Donations | 31,063 |
| Interest | 7,450 |
| Other income | 27,500 |
| Total unrestricted revenues and support | <u>2,529,863</u> |

Expenses

| | |
|----------------------------------------|------------------|
| Program Services - Charter School | |
| Salaries | 1,372,882 |
| Benefits | 203,416 |
| Professional and technical services | 34,723 |
| Purchased property services | 313,638 |
| Other purchased services | 126,860 |
| Supplies and materials | 178,935 |
| Property | 63,666 |
| Total program services expenses | <u>2,294,120</u> |

Administrative Expenses

| | |
|--------------------------------------|----------------|
| Salaries | 160,777 |
| Benefits | 8,499 |
| Professional and technical services | 1,795 |
| Purchased property services | 6,381 |
| Other purchased services | 5,031 |
| Supplies and materials | 15,172 |
| Special Events, net | 2,209 |
| Total administrative expenses | <u>199,864</u> |

| | |
|-----------------------|------------------|
| Total Expenses | <u>2,493,984</u> |
|-----------------------|------------------|

| | |
|--------------------------------------------------|---------------|
| Total Increase in unrestricted net assets | <u>35,879</u> |
|--------------------------------------------------|---------------|

| | |
|------------------------------------------------------------|---|
| Total Increase in temporarily restricted net assets | - |
|------------------------------------------------------------|---|

| | |
|-------------------------------|--------|
| Increase in net assets | 35,879 |
|-------------------------------|--------|

| | |
|----------------------------------------|----------------|
| Net assets at beginning of year | <u>616,936</u> |
|----------------------------------------|----------------|

| | |
|----------------------------------|-------------------|
| Net assets at end of year | <u>\$ 652,815</u> |
|----------------------------------|-------------------|

The accompanying notes are an integral part of these financial statements.

AMERICAN PREPARATORY ACADEMY OF DRAPER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Cash Flows From Operating Activities

| | |
|--------------------------------------------------------------------------------------|---------------|
| Net change in net assets | \$ 35,879 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Depreciation | 28,736 |
| Changes in assets and liabilities: | |
| Grant receivable | 45,316 |
| Prepaid expenses | 34,861 |
| Accounts payable | 9,947 |
| Accrued payroll | (115,373) |
| Net Cash From Operating Activities | <u>39,366</u> |

Cash Flows From Investing Activities

| | |
|-------------------------------------------|------------------|
| Purchase of property and equipment | <u>(297,956)</u> |
| Net Cash From Investing Activities | <u>(297,956)</u> |

Cash Flows From Financing Activities

| | |
|--------------------------------------------------|-----------|
| | <u>-</u> |
| Net Increase in Cash and Cash Equivalents | (258,590) |

| | |
|---------------------------------------------------------|----------------|
| Cash and Cash Equivalents at Beginning of Period | <u>648,648</u> |
|---------------------------------------------------------|----------------|

| | |
|---------------------------------------------------|-------------------|
| Cash and Cash Equivalents at End of Period | <u>\$ 390,058</u> |
|---------------------------------------------------|-------------------|

| | |
|-------------------------------|-------------|
| Cash Paid for Interest | <u>\$ -</u> |
|-------------------------------|-------------|

The accompanying notes are an integral part of these financial statements.

AMERICAN PREPARATORY ACADEMY OF DRAPER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – American Preparatory Academy of Draper (the “Academy”) was incorporated in May, 2003 and began operations July 1, 2003 under the laws of the State of Utah and operates as a non-profit organization under section 501(c)(3) of the Internal Revenue Code. The Academy is a charter school located in Draper, Utah. The school currently has students enrolled in classes from kindergarten through ninth grade. The stated mission of the charter school is “to provide an orderly, safe and nurturing learning environment wherein content-rich, efficient curriculum and research-based instructional methodologies are utilized to ensure that every student achieves academic success and develops good character based on concrete measurements.”

Financial Statement Presentation – The Academy reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Basis of Accounting — The accompanying financial statements have been prepared on the full accrual basis of accounting. Revenues are recognized as discussed below. Expenses generally are recorded when a liability is incurred.

Revenue Recognition

State Funding – The Academy receives funding from the State of Utah as administered by the Utah State Office of Education based on the number of students enrolled in its school. The State provides unrestricted funding for normal school operations and restricted funds for specific school-related activities or functions. Unrestricted funding is recognized as revenue when received. Funding for which qualifying expenses have not been incurred is recorded as temporarily restricted net assets in the Academy’s Statement of Financial Position.

Federal Grants – The Academy has received federal charter school grants, which are paid through the Utah State Office of Education. Funds are generally received on a reimbursement basis and, accordingly, revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met.

Contributions and Donated Services – Unrestricted contributions are recognized as revenue when received. Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Academy would otherwise purchase the services. No amounts have been reflected in the accompanying financial statements for contributed goods or services during the year ended June 30, 2006 because items did not meet the definition above. Restricted contributions received are recorded as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. Temporarily restricted net assets are recognized as revenue when the terms of the restrictions are met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Due to their nature, actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents are defined as demand deposits, savings, money market accounts, and certificates of deposit with original maturities of three months or less. Restricted cash represents federal grant money that is to be used for specific activities as defined in the grant agreement.

Concentration of Credit Risk — The Academy maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. The Academy's carrying amount of bank deposits at June 30, 2006 is \$390,058 and the bank balance is \$396,478, \$100,000 of which is covered by federal depository insurance. No deposits are collateralized, nor is it required by state statute.

During the year ended June 30, 2006, the Academy received a substantial amount of its support, approximately 89% and 8%, from the Utah State Office of Education and Federal Public Charter School grants, respectively. The loss of support from these major sources of funds could have an adverse effect on the Academy's programs and activities.

Allocated Expenses — Expenses by function have been allocated among program and supporting service classifications on the basis of time records and on estimates made by the Academy's management.

Investments — The Academy has adopted Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*." SFAS No. 124 applies to equity securities with readily determinable fair values, and requires that all investments be reported at fair value. Additionally, gains or losses are reflected as increases or decreases in net assets through support and revenue, including unrealized gains or losses.

Accounts Receivable and Allowance for Doubtful Accounts – At times, the Academy has amounts receivable from various sources. As of June 30, 2006, the Academy had accounts receivable of \$0.

The Academy makes judgments about its ability to collect outstanding accounts receivable. If necessary, the Academy establishes an allowance if collection becomes doubtful, based primarily on the aging of the specific invoice. To date, the Academy has not recorded any allowance against outstanding accounts receivable.

Fair Value of Financial Instruments – The Academy has a number of financial instruments. The Academy estimates that the fair value of all financial instruments at June 30, 2006 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Capital Assets – Capital assets include depreciable assets and include equipment and furniture. The Academy defines capital assets as assets with an initial, individual cost of more than \$2,000. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance or repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Equipment and furniture of the Academy are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------------------|--------------|
| Office/Computer equipment | 3 to 5 |
| Furniture and Fixtures | 7 |

During the year ended June 30, 2006, the academy recognized \$28,736 of depreciation expense.

Advertising – The Academy follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended June 30, 2006 was \$1,176.

Income Taxes – The Academy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Academy qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation under Section 509(a)(2). Income determined to be unrelated business income would be taxable.

NOTE 2 – INVESTMENTS

The Academy's deposits and investment policy follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Chapter 7) in handling its depository and temporary investing transactions. This law requires the depositing of Academy funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. Allowable investments under the Act include:

1. Negotiable or nonnegotiable deposits of qualified depositories,
2. Repurchase agreements with qualified depositories or primary reporting dealers,
3. Commercial paper which is rated P-1 by Moody's Investor Services or A-1 by Standard and Poors if the remaining term to maturity is 180 days or less,
4. Bankers' acceptances that are eligible for discount at a federal reserve bank and which have a remaining term of 180 days or less,
5. Obligations of the United States Treasury, including bills, notes and bonds,
6. Obligations issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporations, or Student Loan Marketing Association.
7. Shares or certificates in any open-end management investment company registered with the Securities and Exchange under the Investment Company Act of 1940, the portfolio of which is restricted by law or agreement to investments in which public funds may be invested directly.

A State Money Management Council was created under the State Money Management Act consisting of five individuals appointed by the Governor and qualified by training and experience in the fields of investing and finance. In performing its functions and responsibilities, the council provides a measure of depository protection. The council issues a list of qualified depositories to public treasurer's quarterly, and monitors the maximum amount of public funds each depository is eligible to hold in accordance with

the law and the rules of the council. State law and council rules govern the finance reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately. The Academy considers the actions of the Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

During the year ended June 30, 2004, the Academy received a donation of stock from a private donor, which is held for trading purposes. The stock and the income there from, are to be used to benefit the Academy. The investment is recorded at fair value. The estimated fair value amount has been determined by the Academy using market valuation provided by the Academy's broker.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--------------------------------|------------------------------|------------------|------------------|---------------------------|
| Capital assets: | | | | |
| Leasehold Improvements | \$ - | \$ 211,744 | \$ - | \$ 211,744 |
| Equipment | 98,926 | 86,212 | - | 185,138 |
| Furniture & Fixtures | 27,407 | - | - | 27,407 |
| Total capital assets: | 126,333 | 297,956 | - | 424,289 |
| Accumulated depreciation: | | | | |
| Leasehold Improvements | - | (964) | | (964) |
| Equipment | (20,286) | (23,857) | - | (44,143) |
| Furniture & Fixtures | (5,755) | (3,915) | - | (9,670) |
| Total accumulated depreciation | (26,041) | (28,736) | - | (54,777) |
| Net capital assets | \$ 100,292 | \$ 269,220 | \$ - | \$ 369,512 |

NOTE 4 – NET ASSETS

During the year ended June 30, 2004, the Board approved that \$100,000 of the unrestricted net assets be designated as an operating reserve for the Academy.

NOTE 5 – LINE OF CREDIT

During February 2004, the Academy entered into a line of credit for \$41,918. Interest on the line accrues at 3.34%. Subsequent to year end, the original agreement on the line of credit was renewed to expire in February 2007. No draws had been made on the line as of June 30, 2006.

NOTE 6 – MERIT PAY

All full-time staff members of the Academy are eligible to receive merit pay. Staff members are eligible for merit pay based upon the performance of their work during the prior school year. The merit pay will be calculated and paid out in October of each year. Factors used in determining the amount of merit pay per employee are the following: teacher evaluations, student achievement scores, and parent satisfaction survey results. Any staff member who does not return to their position or another full-time position at the Academy the following school year will not be eligible to receive merit pay. Merit pay will be allocated approximately 65% to full-time teachers and 35% to full-time instructors and administrative staff. The merit pay schedule per employee will be determined by the school director, business administrator and the governing board. Merit pay for the year ended June 30, 2006 was accrued for \$56,080.

NOTE 7 – PROFESSIONAL EMPLOYER ORGANIZATION

In August 2003, the Academy entered into an agreement with a professional employer organization to provide off-site human resource services. All employees of the Academy are employed by the professional employer organization. The professional employer organization administers payroll, employee benefits and other related expenses and assists in personnel and related compliance requirements. The agreement requires a deposit to be held should the Academy default on any payments. The line of credit as explained in Note 5 was entered into to satisfy the deposit requirements for this agreement. Fees for services under this agreement were \$44,745 during the year ended June 30, 2006.

NOTE 8 – OPERATING LEASE

During 2003, the Academy entered into an operating lease for office and classroom space. The original lease was for twenty years in duration for \$15,650 a month to \$18,650 per month. The lease was amended in June 2004 to require monthly lease payments of \$21,720 to \$26,492 over the life of the lease. The monthly rent increases every five years. The Academy is also required to pay a proportionate share of property tax, insurance expenses and common area expenses as additional monthly rent of \$4,000 per month. The school leases an additional 5,940 square feet of additional classroom space and 8,856 square feet of gymnasium space. The increase in the lease payments for this additional space equaled \$5,215. Rent expense for the year ended June 30, 2006 was \$319,062. This lease expires in 2023.

Future rental commitments are as follows:

| Year Ended June 30, | |
|----------------------------|---------------------|
| 2007 | \$ 371,212 |
| 2008 | 371,212 |
| 2009 | 389,052 |
| 2010 | 389,052 |
| 2011 | 389,052 |
| Thereafter | <u>4,961,099</u> |
| Total | <u>\$ 6,870,679</u> |

NOTE 9 – RETIREMENT PLANS

In July 2004, the Academy established a defined contribution, tax-deferred retirement plan under Section 403(b) of the Internal Revenue Code. All full-time staff members 18 years of age or older that have been employed for 30 days are eligible to participate in the Plan. Under the plan, the Academy is able to contribute up to 7% of the employee's gross wages. The contribution to the 403(b) plan for the year ended June 30, 2006, was \$87,996.

In July 2004, the Academy entered into a participation agreement with its professional employer organization to offer a defined contribution, tax deferred retirement plan under Section 401(k) of the Internal Revenue Code. The Plan is administered by the professional employer organization. All staff members 18 years of age or older that have been employed for 30 days are eligible to participate in the Plan. A matching contribution of 25% of each participant's elective deferral up to 4% of eligible compensation will be made by the professional employer organization. The employer contributions vest as follows: 40% after one year of service, 60% after two years of service, and 100% after three years of service. During the year ended June 30, 2006 the Academy recognized \$123,949 in retirement expense contribution.

NOTE 10 – SUBSEQUENT EVENTS (UNAUDITED)

During November 2006, the Academy sold its investments that had a carrying value of \$25,000 for approximately \$25,700.

**SUPPLEMENTARY
INFORMATION**

American Preparatory Academy of Draper
Reconciliation of the Statement of Financial Position
of the Full Accrual Basis to the Modified Accrual Basis
June 30, 2006

Amounts reported for the modified accrual basis are different because:

Total net assets - modified accrual \$ 283,303

Capital assets used in the Academy's activities are not financial resources and, therefore, are not reported in the modified accrual basis:

| | | |
|----------------------------------------|-----------------|--------------------------|
| Cost of the assets | \$ 424,289 | |
| Accumulated depreciation | <u>(54,777)</u> | <u>\$ 369,512</u> |
| Total net assets - full accrual | | <u><u>\$ 652,815</u></u> |

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
American Preparatory Academy of Draper
Draper, Utah

We have audited the accompanying financial statements of American Preparatory Academy of Draper ("the Academy") for the year ended June 30, 2006, and have issued our report thereon dated September 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of American Preparatory Academy of Draper in a separate letter dated September 20, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and the Utah State Office of Education and is not intended to be and should not be used by anyone other than these specified parties.

Hansen Barnett & Maxwell

HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
September 20, 2006

HANSEN, BARNETT & MAXWELL

A Professional Corporation
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5 Triad Center, Suite 750
Salt Lake City, UT 84180-1128

Phone: (801) 532-2200

Fax: (801) 532-7944

www.hbmcpas.com

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INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

To the Board of Directors
American Preparatory Academy of Draper
Draper, Utah

We have audited the financial statements of American Preparatory Academy of Draper, a nonprofit corporation, for the year ended June 30, 2006, and have issued our report thereon dated September 20, 2006. As part of our audit, we have audited American Preparatory Academy of Draper's compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; special tests and provisions applicable to its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. American Preparatory Academy of Draper received the following major State assistance program from the State of Utah:

Minimum School Program (State Office of Education)

The management of American Preparatory Academy of Draper is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about American Preparatory Academy of Draper's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion, American Preparatory Academy of Draper complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2006.

A handwritten signature in cursive script that reads "Hansen Barnett & Maxwell".

HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
September 20, 2006